

**MINUTES**  
**TENNESSEE HIGHER EDUCATION COMMISSION**  
**2017 Statutory Formula Review Committee**  
**July 7, 2017, 9:00 a.m. CDT**

**Committee Members Present:**

Executive Director, THEC	Mike Krause
Chancellor, TBR	Russ Deaton and Danny Gibbs for Flora Tydings
President, UT System	David Miller for Joe DiPietro
President, APSU	Alisa White
President, ETSU	B.J. King (by phone) for Brian Noland
President, MTSU	Alan Thomas (by phone) for Sidney McPhee
President, TSU	Glenda Glover
President, TTU	Phil Oldham
President, UM	David Rudd
Commissioner, F&A	Greg Turner (by phone) for Larry Martin
Comptroller	Justin Wilson
Chair, Senate Finance, Ways and Means	Senator Bo Watson
Chair, House Education Admin. and Planning	Representative Harry Brooks
Senate Director, Legislative Budget Analysis	Bruce Davis for Catherine Haire
House Director, Legislative Budget Analysis	Cathy Higgins (by phone)

**Committee Members Absent:**

Chair, Senate Education	Senator Dolores Gresham
Chair, House Finance, Ways and Means	Representative Charles Sargent

**Welcome and Introductions**

Mike Krause, THEC Executive Director, welcomed all and thanked them for their attendance. He asked everyone on the committee and those attending via phone to introduce themselves.

**Charge and Responsibilities**

Steven Gentile, THEC Director of Fiscal Policy Research, reviewed the purpose and charge of the Statutory Formula Review Committee as prescribed by Tennessee Code Annotated § 49-7-202 (g). Mr. Gentile reviewed the agenda.

**Review of Seven-Year History of Outcomes Formula**

Taylor Odle, THEC Assistant Director of Fiscal Policy and Research, reviewed the operation of the outcomes-based funding formula and how the formula recommended the distribution of appropriations for the FY 2017-18 appropriation cycle. His presentation included an overview of institutional weights, a review of increases and decreases in specific outcomes over the last few years, and a discussion on how Tennessee Promise potentially influenced outcome changes.

## **Outcomes-based Formula Considerations**

Crystal Collins, THEC Director of Fiscal Policy Analysis, reviewed proposed modifications and improvements to the outcomes-based funding formula, including a definitional change to the Research, Service, and Sponsored Programs outcome at universities and clarification on the identification of Reverse Articulated Associate (Transfer) Degrees.

### *Research, Service & Sponsored Programs Definition*

Ms. Collins reviewed the current definition of expenditures to be included in the Research, Service, and Sponsored Programs outcome in the university sector. She noted that all universities but one reported the outcome in a standardized and consistent fashion. That university was asked to resubmit four years of historical data for the FY 2017-18 model. Members of the Advisory Formula Review Committee, a group composed of representatives from campuses, systems, and state agencies, discussed in June the need to revisit the current definition and recommended THEC staff review the possibility of an external measure for this metric (e.g., the National Science Foundation or U.S. Department of Education). THEC staff have developed a Task Force—composed of campus and system research officers—to review this measure and explore external measures of research and service expenditures. Any findings and recommendations will be brought to the Formula Review Committee at the summer 2018 meeting, ahead of the FY 2019-20 appropriation request cycle.

Presidents Phil Oldham and David Rudd expressed support for the development of the Task Force. President Oldham cited concerns of the year-over-year changes in how data are reported from NSF in comparison to the current definition. THEC staff will review other measures of this outcome and model any changes if other data were to be included to approximate the relative effect of a definitional change to state funding levels by institution.

### *Reverse Transfer Degrees Definition*

Ms. Collins reviewed the current process whereby students attending a four-year institution are awarded an Associate degree from a community college through reverse transfer of credit. In the 2015-16 academic year, over 900 Reverse Articulated Associate degrees were awarded across the community college sector. In the Outcomes-based Funding Formula, partner institutions currently receive half of the outcome credit for each award (e.g., the community college and four-year institution each receive credit for 0.5 degrees), encouraging collaborative participation and recognizing the institutional work to identify students, audit transcripts, and award degrees.

Students are currently identified in the community college data as having earned an Associate degree and are matched with a four-year partner institution as being enrolled at that institution. The use of 'flags' to identify that a student 1) satisfies the credit requirements to earn an Associate degree and 2) is currently enrolled at a four-year institution are used to help match community colleges and four-year institutions. In the FY 2017-18 formula, however, some students earning Associate degrees by reverse credit were not identified with a partnering four-year institution. The Articulation and Transfer Council, composed of THEC, UT, TBR, and Locally Governed Institution (LGI) representatives, is working to ensure all students are properly matched; THEC staff will convene a Task Force to ensure data in the funding formula are accurately reported. Any findings and recommendations will be brought to the Formula Review Committee at the summer 2018 meeting, ahead of the FY 2019-20 appropriation request cycle.

## *Other Items*

Comptroller Justin Wilson discussed the importance of formula transparency and accessibility. He noted that the Comptroller's Office of Education Research and Accountability (OREA) is currently preparing information on the formula for the General Assembly and state agencies.

Chairman Harry Brooks discussed the advent of Dual Credit via middle college programs and encouraged THEC to consider credit awarded to students in the Outcomes-based funding formula, citing the current inclusion of Dual Enrollment. THEC staff noted that students included in the Dual Enrollment outcome are also counted in the community college or university formulas when they earn a degree and when they trigger any progression metric (e.g., accumulating 12-credit hours at a community college). THEC staff will explore the treatment of Dual Credit students in the formula.

Chairman Brooks and David Miller discussed the reduction of the graduation rate metric in the university sector from a six-year measure to a four- or five-year measure, citing Tennessee's need to reward institutions for progressing students toward a degree in a timely manner. President Glenda Glover expressed hesitation to the committee on reducing the time-to-degree metric because of the inherent differences in student populations across universities. THEC staff will, ahead of the 2020 five-year formula review, explore potential on-time metrics.

President Rudd discussed the potential development of a benchmark funding formula, whereby institutions would earn additional appropriations as they achieve pre-specified outcomes (e.g., attaining a six-year graduation rate of 70 percent). Tennessee's Outcomes-based funding formula is currently based upon a 'growth model,' whereby institutions earn additional appropriations as their outcomes increase relative to their own historical performance and the performance of their peers. THEC staff will research benchmark models utilized in other states ahead of the 2020 five-year formula review.

President Oldham noted that the monetization of outcomes presents confusion and slight unpredictability for campuses (e.g., a bachelor's degree at UM is 'worth' more than a bachelor's degree at TTU) because of the previous inclusion of the faculty salary multiplier. President Oldham also suggested the development of focus population premiums for degree programs that are high-cost, such as Science, Technology, Engineering, and Mathematics (STEM) degrees, citing the increased faculty, laboratory, and resource costs compared to those of other major programs. If a population premium could not be developed, President Oldham suggested supplemental state funding for institutions that produce several high-cost or high-value degrees. THEC staff will, ahead of the 2020 five-year formula review, analyze how the formula responds to institutional costs and how it may better reflect such costs.

## **FOCUS and the Formula**

Mr. Gentile provided an overview of the new higher education governance structure developed by the Focus on College and University Success (FOCUS) Act. He noted that, at present, no changes precipitated by FOCUS have impacted the Outcomes-based Funding Formula. Data are still being provided in a consistent manner via the Student Information System (SIS). Any data historically reported by TBR for the LGIs will now be reported to THEC directly from that institution.

## **Adjourn**

The meeting adjourned at approximately 11:00 a.m. CDT.